

**WEST HAVEN CITY
BASIC FINANCIAL STATEMENTS AND
REQUIRED SUPPLEMENTARY INFORMATION
WITH INDEPENDENT AUDITORS' REPORTS
YEAR ENDED JUNE 30, 2006**

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
West Haven City

We have audited the accompanying financial statements of the governmental activities and each major fund of West Haven City, Utah, as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of West Haven City's, management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of West Haven City, as of June 30, 2006, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2006, on our consideration of West Haven City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

WOOD RICHARDS & ASSOCIATES

December 21, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

WEST HAVEN CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDING JUNE 30, 2006

INTRODUCTION

The following is a discussion and analysis of West Haven City's financial performance and activities for the fiscal year ending June 30, 2006.

HIGHLIGHTS

The City completed construction of the new city maintenance facility. The City has continued to upgrade the City's parks and roads. The City has budgeted and planned for these improvements financially and will continue to plan for future needed improvements.

The assets of West Haven City exceeded its liabilities at the end of the current fiscal year by \$10,358,963 (net assets). Of this amount, \$1,104,104 (unrestricted net assets) is available to meet ongoing obligations to citizens and creditors.

Net assets increased by \$5,137,978.

The City's Governmental funds reported combined ending fund balance of \$1,779,514, an increase of \$364,174 compared to the prior years' ending amount. Of the combined total fund balance, \$1,112,373 is available for spending at the discretion of the City (unreserved and undesignated fund balance).

The unreserved and undesignated fund balance of the General Fund at June 30, 2006, totaling \$1,112,373, is 29 percent of the General Fund total revenues for the year. The General Fund, also has approximately \$667,141 of fund balance reserved for specific purposes that will be carried over into the following fiscal year.

During the year, total bonded debt for West Haven City decreased by \$131,000.

OVERVIEW OF THE FINANCIAL STATEMENTS

The government-wide financial statements are comprised of the Statement of Net Assets, and the Statement of Activities. These two statements provide a broad overview of the City's finances. The Statement of Net Assets shows the overall net assets of the City. Increases and decreases in net assets are one indicator of the City's overall financial condition. The Statement of Activities helps to identify functions of the City that are principally supported by taxes and other general revenues (governmental activities).

This discussion and analysis is an introduction to the City's Basic Financial Statements. The Basic Financial Statements include three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Management's Discussion and Analysis

The government-wide financial statements include not only the West Haven City itself (known as the primary government), but also a legally separate West Haven Special Service District which operates a sewer system for which West Haven City is financially accountable. Financial information for this component unit is reported separately from the financial information presented for the primary government itself.

The fund financial statements provide detailed information about individual major funds and not the City as a whole. A fund is a group of related accounts that the City uses to keep track of specific resources that are segregated for a specific purpose. Some funds are required by law to exist, while others are established internally to maintain control over a particular activity. All of the City's funds are governmental type funds.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

West Haven City has one Governmental Fund. The General Fund is the chief operating fund of the City. All of the City's activities are reported in the General Fund unless there is a compelling reason to report an activity in some other fund type.

There are several differences between government-wide and fund statements. Capital assets and long-term debt are included on the government-wide statements, but are not reported on the governmental fund statements. Capital outlays result in capital assets on the government-wide statements, but are expenditures on the governmental fund statements.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net Assets

| | Governmental Activities | |
|--------------------------------------|-------------------------|------------------|
| | June 30 2006 | June 30 2005 |
| Current and other assets | \$ 1,924,856 | \$1,826,508 |
| Capital assets | 10,451,718 | 5,809,361 |
| Total assets | <u>12,376,574</u> | <u>7,635,869</u> |
| Long-term liabilities outstanding | 1,738,269 | 1,872,716 |
| Other liabilities | 279,342 | 542,169 |
| Total liabilities | <u>2,017,611</u> | <u>2,414,885</u> |

Management's Discussion and Analysis

| | <u>Governmental Activities</u> | |
|--|--------------------------------|--------------------|
| | June 30 | June 30 |
| | <u>2006</u> | <u>2005</u> |
| Net assets: | | |
| Invested in capital assets, net of related debt | 8,587,718 | 3,814,361 |
| Restricted | 667,141 | 164,871 |
| Unrestricted | <u>1,104,104</u> | <u>1,241,752</u> |
| Total net assets | <u>\$ 10,358,963</u> | <u>\$5,220,984</u> |

One component of the City's net assets, 83%, reflects investments in capital assets (land, buildings, equipment, and infrastructure) less all outstanding debt that was issued to buy or build those assets. As capital assets, these resources are not available for future spending, nor can they all be readily liquidated to pay off the related liabilities.

Restricted net assets comprise 6.4% of total net assets and are subject to external restrictions on how they may be used. The remaining 10.6% of net assets is unrestricted and may be used at the City's discretion to meet its ongoing obligations to citizens and creditors.

Governmental Activities and Business Type Activities

Changes in Net Assets

| | <u>Governmental Activities</u> | |
|---------------------------------------|--------------------------------|------------------|
| | June 30 | June 30 |
| | <u>2006</u> | <u>2005</u> |
| Revenues: | | |
| Program revenues: | | |
| Charges for services | \$ 2,018,471 | \$1,136,359 |
| Operating grants and contributions | 209,499 | 180,283 |
| Capital grants and contributions | 3,497,500 | - |
| General revenues: | | |
| Sales taxes | 1,220,718 | 895,861 |
| Other taxes | 111,624 | 97,164 |
| Unrestricted investment earnings | 67,551 | 53,816 |
| Gain on sale of capital assets | <u>51,905</u> | <u>-</u> |
| Total revenues | <u>7,177,268</u> | <u>2,363,483</u> |
| Expenses: | | |
| General government | 728,264 | 521,058 |
| Public safety | 390,320 | 337,235 |
| Highways and public improvements | 587,223 | 271,755 |
| Community development | 7,332 | 20,735 |
| Parks and recreation | 245,984 | 169,260 |
| Interest-long term debt | <u>80,167</u> | <u>57,619</u> |
| Total expenses | <u>2,039,290</u> | <u>1,377,662</u> |

Management's Discussion and Analysis

Changes in Net Assets (Continued)

| | Governmental Activities | |
|------------------------|-------------------------|--------------------|
| | June 30 2006 | June 30 2005 |
| Increase in net assets | \$ 5,137,978 | \$ 985,821 |
| Net assets-beginning | <u>5,220,985</u> | <u>4,235,164</u> |
| Net assets-ending | <u>\$ 10,358,963</u> | <u>\$5,220,985</u> |

Governmental Activities

The activities in the governmental funds resulted in an increase in net assets of \$5,137,978 for the year.

Capital Assets

West Haven City added \$5,063,512 in new capital assets in governmental activities during the fiscal year. The following assets were acquired or constructed: New maintenance building and improvements \$1,451,975; Park improvements and bleachers \$46,977; Road improvements \$2,318,200; Machinery and equipment \$67,060; Storm drain improvements \$1,143,300; and Street lights \$36,000.

Fund Balances

The fund balance in the General Fund was increased by \$364,174. The increase was a result of continued growth of the City. As of June 30, 2006, the following were set aside as reserves: \$5,487 for park impact fees, \$247,200 for storm drain impact fees, \$103,290 for storm water maintenance, and \$311,144 for road impact fees.

The total combined ending fund balance in the General Fund was \$1,779,514. The unreserved fund balance, which is available for spending at the government's discretion was \$1,112,373.

Long-Term Debt

The City has two outstanding Sales Tax Revenue Bond Issues: 2004 - \$1,327,000 and 2004B - \$537,000. During the year \$131,000 in principal payments were made on the two bond issues. \$134,000 of the debt will be paid in the next fiscal year with \$1,730,000 remaining in long-term debt.

General Fund Budgets

West Haven City prepares its budget according to state statutes. The General Fund Budget was adjusted during the year to meet the needs of growth in the City.

Actual General Fund revenues were \$1,658,877 above the original budget and \$207,168 above the final adjusted budget. Actual General Fund expenses before transfers were \$517,003 above the original budget and \$338,297 below the final adjusted budget.

Management's Discussion and Analysis

ADDITIONAL INFORMATION

This financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of West Haven City's finances and to demonstrate the City's accountability for the money it receives. Questions concerning any of the information provided in this report or any other matters related to the City's finances should be addressed to West Haven City, 2440 South 2050 West, West Haven, Utah 84404.

BASIC FINANCIAL STATEMENTS

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WEST HAVEN CITY
STATEMENT OF NET ASSETS
JUNE 30, 2006

| | Primary Government | Component Units |
|---|----------------------------|---|
| | Governmental Activities | West Haven Special Service District |
| ASSETS | | |
| Cash and cash equivalents | \$ 872,524 | \$ 884,208 |
| Due from other governmental units | 358,005 | - |
| Accounts receivable (net of allowance for uncollectibles) | 24,272 | 247,887 |
| Prepaid expenses | 2,914 | - |
| Restricted assets: | | |
| Cash and cash equivalents | 667,141 | 812,976 |
| Capital assets: | | |
| Infrastructure | 4,322,250 | 16,982,476 |
| City park and parkway | 1,740,508 | - |
| City center | 3,561,396 | - |
| Buildings | 1,424,931 | - |
| Office furniture and fixtures | 121,719 | 9,323 |
| Machinery and equipment | 195,635 | 31,662 |
| Vehicles | 117,480 | - |
| Less accumulated depreciation | (1,032,201) | (1,697,003) |
| Total assets | 12,376,574 | 17,271,529 |
| LIABILITIES | | |
| Accounts payable | 57,053 | 84,390 |
| Accrued liabilities | 504 | - |
| Retainage payable | 9,944 | - |
| Escrow due developers | 7,841 | - |
| Construction bonds | 70,000 | - |
| Non-current liabilities: | | |
| Due within one year | 134,000 | 493,000 |
| Due in more than one year | 1,738,269 | 10,937,000 |
| Total liabilities | 2,017,611 | 11,514,390 |
| NET ASSETS | | |
| Investment in general capital assets | 8,587,718 | 3,896,458 |
| Restricted net assets | 667,141 | 812,976 |
| Unrestricted net assets | 1,104,104 | 1,047,705 |
| TOTAL NET ASSETS | \$ 10,358,963 | \$ 5,757,139 |

The accompanying notes are an integral part of these statements.

WEST HAVEN CITY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2006

| | Program Revenues | | | |
|-------------------------------------|------------------|---------------------------------|---|---|
| FUNCTIONS/PROGRAMS | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| PRIMARY GOVERNMENT: | | | | |
| Governmental activities: | | | | |
| General Government | \$ 728,264 | \$ 745,201 | \$ - | \$ - |
| Community Development | 7,332 | - | - | - |
| Highways and Public Improvements | 587,223 | 893,826 | 206,258 | 3,497,500 |
| Parks and Recreation | 245,984 | 289,039 | - | - |
| Public Safety | 390,320 | 90,405 | 3,241 | - |
| Interest on Long-term Debt | 80,167 | - | - | - |
| Total governmental activities | 2,039,290 | 2,018,471 | 209,499 | 3,497,500 |
| Total primary government | \$ 2,039,290 | \$ 2,018,471 | \$ 209,499 | \$ 3,497,500 |
| COMPONENT UNITS: | | | | |
| West Haven Special Service District | \$ 798,022 | \$ 1,300,355 | \$ - | \$ 517,200 |

General revenues:

 Taxes and special assessments:

 Sales

 Franchise and telecommunications taxes

 Unrestricted investment earnings

 Gain on sale of capital assets

 Total general revenues

 Change in net assets

Net assets - beginning

Net assets - ending

The accompanying notes are an integral part of these statements.

Net (Expense) Revenue and Changes in Net Assets

| Primary Government | | | Component Units |
|------------------------------------|-------------------------------------|----------------------|--|
| Governmental Activities | Business-type Activities | Total | West Haven Special Service District |
| \$ 16,937 | \$ - | \$ 16,937 | \$ - |
| (7,332) | - | (7,332) | - |
| 4,010,361 | - | 4,010,361 | - |
| 43,055 | - | 43,055 | - |
| (296,674) | - | (296,674) | - |
| (80,167) | - | (80,167) | - |
| <u>3,686,180</u> | <u>-</u> | <u>3,686,180</u> | <u>-</u> |
| <u>3,686,180</u> | <u>-</u> | <u>3,686,180</u> | <u>-</u> |
| | | | <u>1,019,533</u> |
| 1,220,718 | - | 1,220,718 | - |
| 111,624 | - | 111,624 | - |
| 67,551 | - | 67,551 | 50,700 |
| 51,905 | - | 51,905 | - |
| <u>1,451,798</u> | <u>-</u> | <u>1,451,798</u> | <u>50,700</u> |
| 5,137,978 | - | 5,137,978 | 1,070,233 |
| 5,220,985 | - | 5,220,985 | 4,686,906 |
| <u>\$ 10,358,963</u> | <u>\$ -</u> | <u>\$ 10,358,963</u> | <u>\$ 5,757,139</u> |

WEST HAVEN CITY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2006

| | <u>General Fund</u> |
|--|-------------------------|
| ASSETS | |
| Cash and cash equivalents | \$ 872,524 |
| Due from other governmental units | 358,005 |
| Accounts receivable | 24,272 |
| Prepaid expenses | 2,914 |
| Restricted assets: | |
| Cash and cash equivalents | 667,141 |
| Total assets | <u>\$ 1,924,856</u> |
| LIABILITIES AND FUND BALANCES | |
| Liabilities: | |
| Accounts payable | \$ 57,557 |
| Retainage payable | 9,944 |
| Escrow due developers | 7,841 |
| Construction bonds | 70,000 |
| Total liabilities | <u>145,342</u> |
| Fund balances: | |
| Reserved for: | |
| Park Impact Fees | 5,487 |
| Storm Drain Impact Fees | 247,220 |
| Storm Water Maintenance | 103,290 |
| Road Impact Fees | 311,144 |
| Unreserved fund balance | 1,112,373 |
| Total fund balances | <u>1,779,514</u> |
| Total liabilities and fund balances | <u>\$ 1,924,856</u> |

The accompanying notes are an integral part of these statements.

WEST HAVEN CITY
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2006

Total fund balances - governmental funds: \$ 1,779,514

Amounts reported for governmental activities in the Statement of
 Net Assets are different because:

Capital assets used in governmental activities are not
 financial resources and, therefore, are not reported in the
 governmental funds, but they are reported in the Statement
 of Net Assets. Capital assets consist of the following:

| | | |
|-------------------------------|--------------------|------------|
| Infrastructure | \$ 4,322,250 | |
| City park and parkway | 1,740,508 | |
| City center | 3,561,396 | |
| Buildings | 1,424,931 | |
| Office furniture and fixtures | 121,719 | |
| Machinery and equipment | 195,635 | |
| Vehicles | 117,480 | |
| Accumulated depreciation | <u>(1,032,201)</u> | |
| | | 10,451,718 |

Long-term debt, including bonds payable and compensated
 absences, are not due and payable in the current period and
 therefore not reported in the funds, but they are reported
 in the Statement of Net Assets

| | | |
|----------------------|----------------|--------------------|
| Bonds payable | (1,864,000) | |
| Compensated absences | <u>(8,269)</u> | <u>(1,872,269)</u> |

Net assets of governmental activities \$ 10,358,963

The accompanying notes are an integral part of these statements.

WEST HAVEN CITY
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2006

| | General Fund |
|---|-------------------------|
| REVENUES | |
| Taxes | \$ 1,332,342 |
| Licenses and permits | 672,078 |
| Intergovernmental revenue | 209,499 |
| Charges for services | 1,255,987 |
| Fines and forfeitures | 90,405 |
| Miscellaneous revenue | 263,566 |
| | <u>3,823,877</u> |
| EXPENDITURES | |
| Current: | |
| General government | 2,128,734 |
| Public safety | 390,320 |
| Highways and public improvements | 486,503 |
| Parks and recreation | 223,143 |
| Community development | 7,332 |
| Miscellaneous | 12,504 |
| Debt service | 211,167 |
| | <u>3,459,703</u> |
| Excess (deficiency) of revenues over expenditures | 364,174 |
| Fund balances - beginning of year | 1,415,340 |
| Fund balances - end of year | <u>\$ 1,779,514</u> |

The accompanying notes are an integral part of these statements.

WEST HAVEN CITY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2006

| | | | |
|---|----|------------------|------------------|
| Net changes in fund balances - total governmental funds | | \$ | 364,174 |
| Amounts reported for governmental activities in the Statement of Activities are different because: | | | |
| Capital outlays are reported as expenditures in governmental funds. However, in the Statement of Activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current year, these amounts were as follows: | | | |
| Capital outlays | \$ | 1,566,012 | |
| Depreciation expense | | <u>(218,798)</u> | |
| | | | 1,347,214 |
| Repayment of the principal of long-term debt consumes the current financial resources of governmental funds but has no effect on net assets | | | |
| | | | 131,000 |
| Some governmental fund expenditures reflect payments related to prior periods and are not reported as expenditures in the government-wide Statement of Activities. | | | |
| Compensated absences | | | 447 |
| Donations of capital assets increase Net Assets in the Statement of Activities, but do not appear in the funds because they are not financial resources. | | | |
| Infrastructure | | 3,497,500 | |
| Depreciation expense | | <u>(58,247)</u> | |
| | | | 3,439,253 |
| The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, and donations) is to decrease net assets. | | | |
| | | | <u>(144,110)</u> |
| Change in net assets of governmental activities | | \$ | <u>5,137,978</u> |

The accompanying notes are an integral part of these statements.

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WEST HAVEN CITY
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of West Haven City, Utah conform in all material respects to generally accepted accounting principles (GAAP) as applicable to governments. The City has adopted the provisions of the Governmental Accounting Standards Board (GASB). Preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements.

The following is a summary of the more significant policies and is presented to assist the reader in interpreting the financial statements and other data in this report. These policies, as presented, should be viewed as an integral part of the accompanying financial statements.

A. Reporting Entity

West Haven City was incorporated under the laws of the State of Utah. The City operates under a Council/Mayor form of government and provides the following services as authorized by its charter: Public safety (police and inspection), highways and streets, culture-recreation, public improvements, planning and zoning, and general administrative services.

The criteria set forth by generally accepted accounting principles (GAAP) was used to determine which entities to include in this report. GASB Concepts Statement-1 (Objectives of Financial Reporting) concludes that the basic foundation for governmental financial reporting is accountability. The Concepts Statement asserts that accountability requires governments to answer to the citizenry - to justify the raising of public resources and the purposes for which they are used. In turn, the concept of accountability becomes the basis for defining the financial reporting entity. Under GASB-14 (The Financial Reporting Entity) the financial reporting entity consists of the following:

1. The primary government
2. Organizations for which the primary government is financially accountable
3. Other organizations that, because of the nature and significance of their relationship with the primary government, exclusion from the reporting entity would render the financial statements misleading or incomplete.

Blended component units: Blended component units, although legally separate entities, are in substance part of the government's operations. They are reported as part of the primary government and blended with the appropriate funds.

On July 16, 2003, the City adopted an ordinance creating the West Haven City Redevelopment Agency and designating the City Council of West Haven as the governing body of the Agency. There was no financial activity in the component unit during the year ended June 30, 2006.

Discretely presented component units: The discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize it is legally separate from West Haven City.

The West Haven Special Service District provides sewer services to residents of the City. The Board of Directors of the Special Service District includes some members of the West Haven City Council. West Haven City bills the District monthly for contracted services and maintenance. The discretely presented

WEST HAVEN CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Reporting Entity (Continued)

financial statements are for the year ended June 30, 2006, which is the same as the City's year end. The District is presented as an enterprise fund type. Complete financial statements for the component unit may be obtained at the entity's administrative offices.

B. Government-wide and Fund Financial Statements

The City's basic financial statements consist of both government-wide statements and fund statements. The government-wide statements focus on the City as a whole, while the fund statements focus on individual funds.

Government-wide Financial Statements

The government-wide statements present information on all non-fiduciary activities of the primary government. Primary government activities are distinguished between *governmental* and *business-type* activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The *Statement of Net Assets* presents the City's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are restricted when constraints placed upon them are either externally imposed or are imposed by constitutional provisions or enabling legislation. The *Statement of Activities* demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable within a specific function. The City does not allocate general government (indirect) expenses to other functions. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other revenues not meeting the definition of program revenues are reported as general revenues.

Fund Financial Statements

The financial transactions of the City are recorded in individual funds. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is used to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. Statements are provided for *governmental funds*. For governmental funds, the emphasis is on *major funds*, with each displayed in a separate column.

The City reports the following major governmental fund:

General Fund - This fund is the principal operating fund of the City. It is used to account for all financial resources not required to be accounted for in another fund.

C. Measurement Focus and Basis of Accounting

The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when the related liability is incurred, regardless of the timing of the cash flows. Taxes and fees are recognized in the

WEST HAVEN CITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting (Continued)

year in which the related sales or other activity has occurred. Grants and similar items are recognized as revenue when all eligibility requirements have been met.

The governmental fund financial statements are prepared and reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Expenditures are generally recorded when the related liability is incurred.

D. Assets, Liabilities, and Fund Balances/Net Assets

The following are the City's significant policies regarding recognition and reporting of certain assets, liabilities, and equity.

Pooled Cash and Temporary Investments

Unrestricted and restricted cash balances of both funds are combined to form a pool of cash which is managed by the City Treasurer. Utah State Statutes allow for investments in the Utah Public Treasurer's Investment Fund and Utah Money Management Act (UMMA) approved financial institutions. The UMMA provides for a committee to evaluate financial institutions and provide a list of those qualified as depositories for public funds, including the amount they are authorized to maintain over and above insured amounts. The City Treasurer invests unrestricted and restricted cash with the Utah Public Treasurer's Investment Fund and with local financial institutions. Investments in the pooled cash fund consist primarily of certificates of deposit, repurchase agreements, and time deposits and are carried at cost which approximates market value. Interest income earned as a result of pooling is distributed to the appropriate funds based on month end balances of cash. The City considers all highly liquid investments to be cash equivalents if they have a maturity of three months or less when purchased.

Inventories

No significant inventories are maintained by the City, therefore none are reflected in these statements.

Restricted Assets

Certain resources set aside as reserves in accordance with council resolutions and State statutes are classified as restricted assets on the balance sheet because their use is limited.

Capital Assets

General capital assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds.

Capital assets are reported in the governmental column in the government-wide financial statements. All purchased fixed assets are valued at cost or estimated historical cost. Donated fixed assets are valued at their estimated fair market value on the date received. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

Infrastructure capital assets which are newly constructed are capitalized. The City currently has infrastructure assets recorded.

WEST HAVEN CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, and Fund Balances/Net Assets (Continued)

Depreciation of all exhaustible capital assets is charged as an expense in the related program. Accumulated depreciation is reported on the Statement of Net Assets. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

| | |
|----------------|-------------|
| Buildings | 40 years |
| Improvements | 25-50 years |
| Equipment | 5-7 years |
| Infrastructure | 25-50 years |

Long-term Obligations

In the government-wide statements, long-term debt obligations are reported as liabilities.

The face amount of debt issued is reported as other financing sources in the governmental fund financial statements.

Net Assets/Fund Balances

The difference between assets and liabilities is *net assets* on the government-wide statements, and *fund balance* on the governmental fund statements.

In the governmental fund statements, fund balances are classified as reserved or unreserved. Reserves represent those portions of fund balance that are not available for expenditures or are legally segregated for a specific future use. Unreserved fund balances are available for future appropriation, though some portions may be designated to represent management's tentative plans for specific future uses.

E. Revenues and Expenditures

The following are the City's significant policies related to recognition and reporting of certain revenues, expenditures, and interfund activity.

Revenue Availability

Under the modified accrual basis of accounting, revenues are considered to be "available" when they are collected within the current period or expected to be collected soon enough thereafter to pay liabilities of the current period. The City considers property tax revenues, if applicable, to be available if they are collected within 60 days after the end of the current year. Grants and similar items are recognized as revenue when all eligibility requirements have been met. All other revenues, including sales taxes, are considered to be available if they are collected within 60 days after year-end.

Expenditure Recognition

In governmental funds, expenditures are generally recorded when the related liability is incurred. However, debt service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due. Capital asset acquisitions are reported as expenditures, and proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

When an expenditure is incurred for purposes for which both restricted and unrestricted resources are available, the City generally uses restricted resources first, then unrestricted resources.

WEST HAVEN CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Budgets and Budgetary Accounting

Budgets are adopted on a basis consistent with generally accepted accounting principles. An annual appropriated budget is adopted for the General Fund. All annual appropriations lapse at the fiscal year end. Encumbrance accounting is not used by the City.

Summary of City Budget Procedures and Calendar

1. The City Council can amend the budget to any extent, provided the budgeted expenditures do not exceed budgeted revenues and appropriated fund balance.
2. A budget is required by the State of Utah for the General Fund.
3. Each year the City publishes a separate budget document prepared according to this legal level of control.
4. The City's budget is a Financial Plan of all estimated revenues and all appropriations for expenditures. Revenues and Expenditures must balance for the funds required by the State Code as indicated in item 2 above.
5. A tentative budget is presented by the Mayor to the City Council by the first regularly scheduled council meeting in May. The tentative budget is reviewed and tentatively adopted by the Council no later than June 22.
6. The tentative budget is a public record and is available for inspection at the City offices for at least ten days prior to adoption of the final budget.
7. Notice of public hearing on adoption of the final budget is published seven days prior to the public hearing.
8. The public hearing on the tentatively adopted budget is held no later than June 22. Final adjustments are made to the tentative budget by the Council after the public hearing.
9. Occasionally the City Council will exercise their option to open the budget to indicate additional financing sources that become available.
10. The final budget is adopted by ordinance before June 22 and a copy of the budget certified by the Budget Officer is filed with the State Auditor within thirty days of adoption.
11. A budget for the General Fund is adopted on a basis consistent with generally accepted accounting principles (GAAP).

Summary of Action Required for Budget Changes:

The Council may, by resolution, transfer unexpended appropriations from one department to another department within the same fund. The budget appropriation for any department may be reduced by resolution.

Fund budgets may be increased by resolution after a public hearing.

WEST HAVEN CITY
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Compensated Absences

City policy provides for vested or accumulated vacation leave. The balance at June 30, 2006 was \$8,269.

H. Use of Estimates

The preparation of the accompanying financial statements in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

I. Restricted Resources

The City's policy is to use restricted resources first to fund appropriations when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

NOTE 2 - DEPOSITS AND INVESTMENTS

A. Deposits

The City's deposits are carried at cost.

At June 30, 2006, the carrying amount of the City's deposits was \$149,596. The bank balance was \$359,872, of which \$100,000 was covered by FDIC depository insurance. The remaining \$259,872 balance was uninsured and uncollateralized.

B. Investments

At year-end investments consist of funds in the Utah Public Treasurer's Investment Fund. This investment is administered by the State of Utah and is regulated by the Money Management Council under provisions of the Utah State Money Management Act. The investment is not categorized as to credit risk because it does not represent a security that exists in physical or book entry form. Investments are carried at cost which approximates their fair value.

| | Carrying Amount | Market Value |
|---|--------------------|-----------------|
| Investments not subject to categorizations: | | |
| Utah Public Treasurer's Investment Fund | \$ 1,389,269 | \$ 1,388,824 |

C. Summary

| | Carrying Amount |
|---|--------------------|
| Petty cash | \$ 800 |
| Deposits | 149,596 |
| Investment in Utah Public Treasurer's Investment Fund | 1,389,269 |
| Total deposits and investments | \$ 1,539,665 |
| Equity in pooled cash and equivalents | \$ 872,524 |
| Restricted cash - General Fund | 667,141 |
| Total deposits and investments | \$ 1,539,665 |

WEST HAVEN CITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2006

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Deposit and Investment Risk Disclosure. Deposits and investments for West Haven City are governed by the Utah Money Management Act (Utah Code Annotated, Title 51, Chapter 7, "the Act") and by rules of the Utah Money Management Council ("the Council"). Following are discussions of the City's exposure to various risks related to its cash management activities.

Custodial credit risk - deposits. Custodial credit risk for deposits is the risk that in the event of a bank failure, the City's deposits may not be recovered. The City's policy for managing custodial credit risk is to adhere to the Money Management Act. The Act requires all deposits of City funds to be in a *qualified depository*, defined as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the Commission of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

The City's deposits in the bank in excess of the insured amount are uninsured and are not collateralized, nor do state statutes require them to be. As of June 30, 2006, \$259,872 of the \$359,872 balance of deposits was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial credit risk - investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments that are in the possession of an outside party. The City's policy for limiting credit risk for investments is to comply with the Money Management Act. The City is authorized to invest in the Utah Public Treasurer's Investment Fund (PTIF), an external pooled investment fund managed by the Utah State Treasurer subject to the Act and Council requirements. The PTIF is not registered with the SEC as an investment company, and deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah. The PTIF operates and reports to participants on an amortized basis. The income, gains and losses, net of administrative fees, of the PTIF are allocated based upon the participant's average daily balance. The PTIF pool has not been rated.

Credit risk. Credit risk is the risk that the counterparty to in investment transaction will not fulfill its obligations. The City's policy for limiting the credit risk of investments is to comply with the Money Management Act. The Act requires investment transactions to be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities. Permitted investments include deposits of qualified depositories; repurchase agreements; commercial paper that is classified as "first-tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investor Services or Standard & Poors; bankers acceptances; obligations of the U.S. Treasury and U.S. government sponsored enterprises; bonds and notes of political subdivisions of the State of Utah; fixed rate corporate obligations and variable rate securities rated "A" or higher by two nationally recognized statistical rating organizations; and shares in a money market fund as defined in the Act.

Interest rate risk. Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The City manages its exposure by adhering to the Money Management Act. The Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested.

WEST HAVEN CITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2006

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

C. Summary (Continued)

Concentration of credit risk. The City's investment in the Utah Public Treasurer's Investment Fund has no concentration of credit risk.

NOTE 3 - CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2006, was as follows:

| | Balance June 30, 2005 | Additions | (Deletions) | Balance June 30, 2006 |
|---|--------------------------|--------------|--------------|--------------------------|
| PRIMARY GOVERNMENT | | | | |
| GOVERNMENTAL ACTIVITIES | | | | |
| Nondepreciated Assets | | | | |
| Water shares | \$ 8,400 | \$ 2,804 | \$ - | \$ 11,204 |
| Land | 834,902 | - | - | 834,902 |
| Total nondepreciated assets | 843,302 | 2,804 | - | 846,106 |
| Depreciated Assets | | | | |
| Street lights | - | 36,000 | - | 36,000 |
| Storm drain system | 16,606 | 1,143,300 | - | 1,159,906 |
| Buildings | 3,067,122 | 1,451,975 | (212,286) | 4,306,811 |
| Improvements | 1,529,745 | 44,173 | - | 1,573,918 |
| Roads | 808,144 | 2,318,200 | - | 3,126,344 |
| Machinery and equipment | 367,774 | 67,060 | - | 434,834 |
| Total depreciated assets | 5,789,391 | 5,060,708 | (212,286) | 10,637,813 |
| Less accumulated depreciation | | | | |
| Street lights | - | (450) | - | (450) |
| Storm drain system | (166) | (11,765) | - | (11,931) |
| Buildings | (103,416) | (80,581) | 68,176 | (115,821) |
| Machinery and equipment | (273,723) | (27,901) | - | (301,624) |
| Roads | (42,133) | (78,690) | - | (120,823) |
| Improvements | (403,894) | (77,658) | - | (481,552) |
| Total | (823,332) | (277,045) | 68,176 | (1,032,201) |
| Net assets depreciated | 4,966,059 | 4,783,663 | (144,110) | 9,605,612 |
| Governmental activities capital assets, net | \$ 5,809,361 | \$ 4,786,467 | \$ (144,110) | \$ 10,451,718 |

DEPRECIATION EXPENSE

Depreciation expense of governmental activities was charged to functions as follows:

| | |
|----------------------------------|------------|
| General government | \$ 84,166 |
| Parks and recreation | 77,658 |
| Highways and public improvements | 115,221 |
| TOTAL | \$ 277,045 |

WEST HAVEN CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2006

NOTE 4 - LONG-TERM DEBT

The Revenue Bonds outstanding at year end are as follows:

| Description | Interest Rate | Outstanding June 30, 2005 | Additions | Payments | Outstanding June 30, 2006 | Current Portion |
|-------------------------------|---------------|---------------------------|-------------|-------------------|---------------------------|-------------------|
| 2004B Sales Tax Revenue Bonds | 2.75-4.80% | \$ 571,000 | \$ - | \$ 34,000 | \$ 537,000 | \$ 35,000 |
| 2004 Sales Tax Revenue Bonds | 2.1-4.45% | 1,424,000 | - | 97,000 | 1,327,000 | 99,000 |
| | | <u>\$ 1,995,000</u> | <u>\$ -</u> | <u>\$ 131,000</u> | <u>\$ 1,864,000</u> | <u>\$ 134,000</u> |

On April 15, 2004, the City issued \$1,521,000 of Sales Tax Revenue Bonds, Series 2004 for the purpose of providing funds to finance the costs to acquire, construct, and equip a new City Center. The bonds will bear interest at rates of 2.1% to 4.45%.

Annual requirements to amortize long-term debt as of June 30, 2006:

| | June 30 | Principal | Interest | Total |
|------------------------------|---------|---------------------|-------------------|---------------------|
| 2004 Sales Tax Revenue Bonds | 2007 | \$ 99,000 | \$ 50,322 | \$ 149,322 |
| | 2008 | 102,000 | 47,401 | 149,401 |
| | 2009 | 105,000 | 44,036 | 149,036 |
| | 2010 | 109,000 | 40,255 | 149,255 |
| | 2011 | 113,000 | 36,059 | 149,059 |
| | 2012 | 118,000 | 31,483 | 149,483 |
| | 2013 | 123,000 | 26,526 | 149,526 |
| | 2014 | 128,000 | 21,176 | 149,176 |
| | 2015 | 134,000 | 15,480 | 149,480 |
| | 2016 | 139,000 | 10,656 | 149,656 |
| | 2017 | 144,000 | 5,652 | 149,652 |
| | 2018 | 13,000 | 468 | 13,468 |
| | | <u>\$ 1,327,000</u> | <u>\$ 329,514</u> | <u>\$ 1,656,514</u> |

On August 30, 2004, the City issued \$614,000 Sales Tax Revenue Bonds Series 2004B for the purpose of financing the costs associated with completing the acquisition, construction and equipping of a new city hall and related improvements. The bonds will bear interest at rates of 2.75% to 4.80%.

WEST HAVEN CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2006

NOTE 4 - LONG-TERM DEBT (CONTINUED)

Annual requirements to amortize long-term debt as of June 30, 2006:

| | June 30 | Principal | Interest | Total |
|-------------------------------|---------|-------------------|-------------------|-------------------|
| 2004B Sales Tax Revenue Bonds | 2007 | \$ 35,000 | \$ 22,196 | \$ 57,196 |
| | 2008 | 37,000 | 20,844 | 57,844 |
| | 2009 | 38,000 | 19,344 | 57,344 |
| | 2010 | 40,000 | 17,705 | 57,705 |
| | 2011 | 41,000 | 15,922 | 56,922 |
| | 2012 | 43,000 | 14,012 | 57,012 |
| | 2013 | 45,000 | 11,965 | 56,965 |
| | 2014 | 47,000 | 9,779 | 56,779 |
| | 2015 | 49,000 | 7,646 | 56,646 |
| | 2016 | 52,000 | 5,576 | 57,576 |
| | 2017 | 54,000 | 3,403 | 57,403 |
| | 2018 | 56,000 | 1,148 | 57,148 |
| | | <u>\$ 537,000</u> | <u>\$ 149,540</u> | <u>\$ 686,540</u> |

NOTE 5 - RESERVATIONS OF FUND BALANCE

Reserved for Impact Fees - This represents the excess Impact Fees funds received over the amount spent.

Reserved for Storm Water Maintenance - This represents storm water utility fees restricted for storm water maintenance.

NOTE 6 - RISK MANAGEMENT

West Haven City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the City carries commercial insurance and participate in a public entity risk pool – the Utah Government Trust. The City maintains comprehensive insurance coverage in aggregate amounts sufficient to protect against all reasonably foreseeable liability risks. Specific liability policies purchased include automobile, general liability, property bond (employee dishonesty), treasurer, public officials and officers, excess liability, and workman’s compensation. As of June 30, 2006, there is no anticipation of unpaid claims. Therefore, a liability is not accrued. Settlement amounts have not exceeded coverage for the current year or the three prior years.

NOTE 7 - PENSION PLANS AND RETIREMENT BENEFITS

Plan Description. West Haven City contributes to the Local Governmental Contributory Retirement System and Local Governmental Noncontributory Retirement System and Public Safety Retirement System for employers with Social Security coverage, cost-sharing multiple-employer defined benefit pension plan administered by the Utah Retirement Systems. Utah Retirement Systems provide refunds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes.

WEST HAVEN CITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2006

NOTE 7 - PENSION PLANS AND RETIREMENT BENEFITS (CONTINUED)

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended. The Utah State Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes general-purpose financial statements and required supplementary information for the Local Governmental Noncontributory Retirement System. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South Salt Lake City, UT 84102 or by calling 1-800-365-8772.

Funding Policy. In the Local Governmental Noncontributory Retirement System, West Haven City is required to contribute 11.09% of plan members annual covered salary. The contribution rates are the actuarially determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Board.

Local Governmental System - Noncontributory

Actual City contributions made, by year - Employer:

| | | |
|------|----|--------|
| 2006 | \$ | 27,833 |
| 2005 | \$ | 21,174 |
| 2004 | \$ | 18,162 |

NOTE 9 - POST-EMPLOYMENT BENEFITS

West Haven City provides no post-employment benefits for employees, other than COBRA requirements.

NOTE 10 - INTEREST EXPENSE

The City incurred \$80,167 in interest expense of which \$80,167 was charged to expense and \$0 was capitalized.

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**REQUIRED SUPPLEMENTARY
INFORMATION**

WEST HAVEN CITY

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES TO FUND BALANCES -
 BUDGET AND ACTUAL - GENERAL FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2006

| | GENERAL FUND | | | Variance with Final Budget Favorable (Unfavorable) |
|---------------------------------|------------------|------------------|------------------|---|
| | Budgeted Amounts | | Actual | |
| | Original | Final | | |
| REVENUES: | | | | |
| Taxes | | | | |
| Sales taxes | \$ 675,000 | \$ 1,100,000 | \$ 1,220,718 | \$ 120,718 |
| Telecommunications taxes | 84,000 | 100,000 | 106,951 | 6,951 |
| Franchise tax | 4,000 | 4,500 | 4,673 | 173 |
| Total taxes | <u>763,000</u> | <u>1,204,500</u> | <u>1,332,342</u> | <u>127,842</u> |
| Licenses and Permits | | | | |
| Business licenses | 60,000 | 65,000 | 67,708 | 2,708 |
| Building permits | 250,000 | 570,000 | 604,370 | 34,370 |
| Total licenses and permits | <u>310,000</u> | <u>635,000</u> | <u>672,078</u> | <u>37,078</u> |
| Charges for Services | | | | |
| Road impact fees | 250,000 | 540,000 | 561,522 | 21,522 |
| Storm water impact fees | 50,000 | 140,000 | 144,851 | 4,851 |
| Park impact fees | 100,000 | 170,000 | 184,005 | 14,005 |
| Administrative services - WHSSD | - | 68,394 | 68,394 | - |
| Maintenance services - WHSSD | - | 79,800 | 79,800 | - |
| Subdivision reimbursements | - | 20,000 | 5,633 | (14,367) |
| Heritage Days | - | 12,000 | 19,006 | 7,006 |
| Park rental fees | - | 4,000 | 5,516 | 1,516 |
| Recreation fees | - | 80,000 | 80,511 | 511 |
| Miscellaneous services | 140,000 | 5,000 | 4,729 | (271) |
| Storm water utility fees | 80,000 | 101,000 | 102,020 | 1,020 |
| Total charges for services | <u>620,000</u> | <u>1,220,194</u> | <u>1,255,987</u> | <u>35,793</u> |
| Intergovernmental | | | | |
| Class "C" Road | 180,000 | 200,000 | 206,258 | 6,258 |
| Liquor fund | 2,000 | 3,000 | 3,241 | 241 |
| Total intergovernmental | <u>182,000</u> | <u>203,000</u> | <u>209,499</u> | <u>6,499</u> |
| Fines & Forfeitures | | | | |
| | 80,000 | 90,000 | 90,405 | 405 |
| Miscellaneous revenues | | | | |
| Sale of fixed assets | 200,000 | 196,015 | 196,015 | - |
| Interest earnings | 10,000 | 68,000 | 67,551 | (449) |
| Total miscellaneous revenues | <u>210,000</u> | <u>264,015</u> | <u>263,566</u> | <u>(449)</u> |
| Total revenues | <u>2,165,000</u> | <u>3,616,709</u> | <u>3,823,877</u> | <u>207,168</u> |

WEST HAVEN CITY

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES TO FUND BALANCES -
 BUDGET AND ACTUAL - GENERAL FUND (CONTINUED)
 FOR THE FISCAL YEAR ENDED JUNE 30, 2006

| EXPENDITURES: | GENERAL FUND | | | Variance with Final Budget Favorable (Unfavorable) |
|--|-------------------|---------------------|---------------------|---|
| | Budgeted Amounts | | Actual | |
| | Original | Final | | |
| General government | | | | |
| Legislative | \$ 34,000 | \$ 43,000 | \$ 40,983 | \$ 2,017 |
| Executive | 15,000 | 26,000 | 23,773 | 2,227 |
| Administration | 185,000 | 265,500 | 256,729 | 8,771 |
| Non-departmental | 78,000 | 91,000 | 77,266 | 13,734 |
| General government buildings | 1,200,000 | 1,600,000 | 1,496,695 | 103,305 |
| Elections | 3,000 | 5,000 | 4,533 | 467 |
| Planning committee | 14,000 | 20,000 | 17,611 | 2,389 |
| Planning and zoning | 105,000 | 105,000 | 97,254 | 7,746 |
| Heritage Days | - | 40,000 | 35,343 | 4,657 |
| Community promotion | 50,000 | 20,000 | 18,889 | 1,111 |
| Building maintenance | 23,000 | 74,400 | 59,658 | 14,742 |
| Total general government | <u>1,707,000</u> | <u>2,289,900</u> | <u>2,128,734</u> | <u>161,166</u> |
| Public safety | | | | |
| Police | 273,000 | 273,000 | 270,994 | 2,006 |
| Crossing guards | - | 11,000 | 6,952 | 4,048 |
| Liquor law enforcement | 10,000 | 10,000 | 10,000 | - |
| Protective inspection | 60,000 | 90,000 | 88,736 | 1,264 |
| Animal services | 16,000 | 16,000 | 13,638 | 2,362 |
| Total public safety | <u>359,000</u> | <u>400,000</u> | <u>390,320</u> | <u>9,680</u> |
| Highways and public improvement | | | | |
| Highways - public works | 255,700 | 326,100 | 285,508 | 40,592 |
| Class "C" Road | 138,000 | 176,000 | 165,608 | 10,392 |
| Road equipment | 17,000 | 17,000 | 14,500 | 2,500 |
| Road impact fee | 19,000 | 19,000 | - | 19,000 |
| Storm drain impact fee | 50,000 | 50,000 | - | 50,000 |
| Storm drain maintenance | 22,000 | 25,000 | 20,887 | 4,113 |
| Total highways and public improvement | <u>501,700</u> | <u>613,100</u> | <u>486,503</u> | <u>126,597</u> |
| Parks and recreation | | | | |
| Parks | 47,000 | 55,000 | 40,767 | 14,233 |
| Parkway | 40,000 | 40,000 | 33,983 | 6,017 |
| Recreation | 75,000 | 140,000 | 148,393 | (8,393) |
| Total parks and recreation | <u>162,000</u> | <u>235,000</u> | <u>223,143</u> | <u>11,857</u> |
| Community development | | | | |
| Economic development | 25,000 | 25,000 | 7,332 | 17,668 |
| Miscellaneous | 108,000 | 15,000 | 12,504 | 2,496 |
| Debt service | 80,000 | 220,000 | 211,167 | 8,833 |
| Total expenditures | <u>2,942,700</u> | <u>3,798,000</u> | <u>3,459,703</u> | <u>338,297</u> |
| Excess (deficiency) of revenues over expenditures | (777,700) | (181,291) | 364,174 | 545,465 |
| Fund balance - beginning of year | 1,415,340 | 1,415,340 | 1,415,340 | - |
| Fund balance - end of year | <u>\$ 637,640</u> | <u>\$ 1,234,049</u> | <u>\$ 1,779,514</u> | <u>\$ 545,465</u> |

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OTHER SUPPLEMENTARY INFORMATION

WEST HAVEN CITY
 SCHEDULE OF IMPACT FEES
 FOR THE YEAR ENDED JUNE 30, 2006

| | <u>Park</u> | <u>Roads</u> | <u>Storm Drain</u> |
|-------------------------------------|---|----------------------------|----------------------------|
| Year impact fees received: | | | |
| June 30, 2004 | \$ - | \$ - | \$ 31,061 |
| June 30, 2005 | - | - | 71,308 |
| June 30, 2006 | <u>5,487</u> | <u>311,144</u> | <u>144,851</u> |
| Reserves June 30, 2006 | <u>\$ 5,487</u> | <u>\$ 311,144</u> | <u>\$ 247,220</u> |
| Capital projects planned: | New park Parkway and Improvements | Road projects | Storm drain projects |
| Projected schedule for expenditure: | 2006 - 2007 | 2006 - 2007 2007 - 2008 | 2006 - 2007 2007 - 2008 |

AUDITORS' REPORTS

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

Honorable Mayor and City Council
West Haven City

We have audited the accompanying financial statements of the governmental activities and each major fund of West Haven City, as of and for the year ended June 30, 2006, which collectively comprise West Haven City's basic financial statements and have issued our report thereon dated December 21, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered West Haven City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether West Haven City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Honorable Mayor and City Council
West Haven City

We noted certain matters that we reported to management of West Haven City in a separate summary dated December 21, 2006.

This report is intended solely for the information and use of management and City Council and is not intended to be and should not be used by anyone other than these specified parties.

Wood Richards & Associates

Ogden, Utah
December 21, 2006

INDEPENDENT AUDITOR'S REPORT
STATE OF UTAH LEGAL COMPLIANCE

The Honorable Mayor and City Council
West Haven City, Utah

We have audited the accompanying financial statements of the governmental activities and each major fund of West Haven City, Utah, for the year ended June 30, 2006 and have issued our report thereon dated December 21, 2006. As part of our audit, we have audited West Haven City's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah Legal Compliance Audit Guide for the year ended June 30, 2006. The City received the following major assistance programs from the State of Utah.

C Road Funds (Department of Transportation)
Liquor Law Enforcement (State Tax Commission)

The City did not receive any nonmajor State grants during the year ended June 30, 2006.

Our audit also included testwork on the City's compliance with those general compliance requirements identified in the State of Utah Legal Compliance Audit Guide, including:

| | |
|---------------------------------|------------------------------|
| Public Debt | Liquor Law Enforcement |
| Cash Management | Purchasing Requirements |
| B & C Road Funds | Budgetary Compliance |
| Other General Compliance Issues | Truth in Taxation & Property |
| Uniform Building Code Standards | Tax Limitations |
| Impact Fees | |

The management of West Haven City is responsible for the City's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

Independent Auditor's Report on State Legal Compliance

Page 2

The results of our audit procedures disclosed immaterial instances of noncompliance with requirements referred to above, which are described in the accompanying summary of findings. We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, West Haven City, Utah, complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to each of its major State assistance programs for the year ended June 30, 2006.

Wood Richards & Associates

December 21, 2006

**WEST HAVEN CITY
SUMMARY OF FINDINGS**

FOR THE YEAR ENDED JUNE 30, 2006

Finding #1: Utah State Code 10-6-116(4) requires that the unreserved fund balance in the general fund of a City be within 5% and 18% of the total estimated revenue of that fund. We noted the unreserved general fund balance is in excess of the 18% limitation.

Recommendation: We recommend you consider establishing a capital projects fund to account for the accumulation of funds for future projects.

Response: The City is considering a capital projects fund and is also budgeting to use a considerable amount of the excess fund balance for early retirement of long-term debt in the June 30, 2007 budget year.

Finding #2: Utah State Code 51-4-2(2) requires that all deposits be made no less than every three business days after receipt. We noted the City did not comply with this requirement.

Recommendation: We recommend you establish policies and procedures in order to make deposits no less than the required three business days.

Response: The City will establish procedures to make deposits timely.

MAYOR: BRIAN J MELANEY
City Recorder: Janet T Carlin



Council Members
Jennifer S. Canter
Blaine H. Holmes
Tim A. Jensen
Ted Parke
Ronald W. Schultz

June 18, 2007

Richard Moon
Office of the State Auditor
East Office Building Suite E310
P O Box 142310
Salt Lake City, Utah 84114

Dear Richard:

We are writing in response to your letter of May 23, 2007. West Haven City was over the 18% budget limitation for the year ended June 30, 2006. The City has incorporated that excess in the budget for the year ending June 30, 2007 and in the budget for the year ending June 30, 2008. The City paid off completely the remaining balance on a sales tax revenue bond during the year ending June 30, 2007 to reduce this excess by over \$500,000. Also in the proposed budget for June 30, 2008, the City is budgeting to reduce the principal balance on a second sales tax revenue bond by \$1,200,000. These two items along with major capital improvements in the budget should reduce this excess fund balance significantly. Please be aware that the City does not levy any property taxes. We have installed procedures to monitor the actual compared to budget on a monthly basis and review the monthly financial statements. We will also make the proper budget amendments when required and follow proper budget procedures. These changes have already taken place. This is our corrective action plan and the anticipated completion date will be June 30, 2008.

Name of contact person:

Steven J Davis Treasurer